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DairyEXCELLENCE
Dairy Week In Review

Dated September 28, 2022



Markets:

| Dairy Prices | Price | Chge. from Week Ago | Chge. from Month Ago | Chge. from Year Ago |
|-----------------------------|---------------------|---------------------|----------------------|---------------------|
| Class III Milk Price (Oct) | \$22.11/cwt. | ▲ 11.1 % | ▲ 11.4 % | ▲ 21.8 % |
| Class IV Milk Price (Oct) | \$24.72/cwt. | ▲ 0.6 % | ▲ 2.5 % | ▲ 46.6 % |
| Corn (December) | \$ 6.84/bushel | ▲ 2.0 % | ▲ 1.2 % | ▲ 28.6 % |
| SBean Meal (October) | \$402.5/ton | ▼ 6.2 % | ▼ 7.8 % | ▲ 25.6 % |
| DMC Margin (August)* | \$ 8.08/cwt. | — | ▼ 18.6 % | ▲ 22.0 % |

**Each issue of "Dairy Week in Review" will report on the most recent Milk Margin published through USDA's Dairy Margin Coverage Program. This margin is published each month after the USDA Ag Prices Report is released.*

- US dairy exports remain strong. In August, 539.6 million pounds of product moved overseas, up 5.4 percent from a year ago and the highest on record for August. Year to date, export volumes are up 3.2 percent. Cheese exports reached 84.6 million pounds, up 4.9 percent year over year. Whey exports were up to a record high of 138.3 million pounds.
- USDA announced the September Class III milk price at \$19.82 per cwt., down 28 cents from August and the first month in 2022 to fall below \$20. September's Class III milk price was still up 19 percent from a year ago. Class III prices for the remainder of 2022 remain strong, averaging \$21.75 for the last three months of the year. The Class III price remains above \$20 per cwt. through the first eight months of 2023 as well. The August Class IV price was announced at \$24.63 per cwt., down 18 cents from August but up \$8.27 per cwt. from a year ago. Class IV prices average \$23.69 per cwt. for the remainder of 2022 and stay above \$21 per cwt. for the first eight months of 2023.
- Late last week, the USDA announced the August Dairy Margin Coverage (DMC) margin at \$8.08 per cwt. This represents the third month in a row of margin deterioration and the first DMC margin of the year to drop below the maximum \$9.50 per cwt margin coverage. The August margin fell \$1.84 per cwt compared to July. Like the previous three monthly declines, the August margin was the result of declining U.S. all-milk price that was compounded by record high DMC feed cost. The average milk price across the country dropped \$1.40 compared to July to \$24.30. A record high DMC feed price of \$16.22 per cwt contributed the other 44 cents to the total margin decline compared to July 2022. August's margin triggers indemnities at the Tier 1 \$8.50, \$9.00 and \$9.50 margin coverages. At the maximum \$9.50 margin coverage, this is equal to a payment of \$1.42 per cwt times 1/12 of established production history up to the 5-million-pound, Tier 1 cap. This equates to a payment of \$1,116 per 1 million pounds of enrolled production history after the mandatory sequestration fee (5.7%) is subtracted or about \$5,579 for an operation that maxes out their Tier 1 coverage at 5 million pounds.

Government and Industry:

- Enrollment for the 2023 DMC program year will begin on Monday, October 17 and continue through Friday, December 9, 2022, at your local Farm Service Agency (FSA) office. Current projections show that the DMC margin is expected to remain below the maximum \$9.50 per cwt margin coverage each month next year.
- According to DMC guidelines, premiums, and administration fees for the 2022 program were to be paid in full no later than September 1, 2022. The USDA approved FSA offices to begin processing August indemnities on October 4. Indemnity payments for any enrolled dairy operation that has an outstanding balance will be withheld until the balance is paid in full. Also, 2023 DMC contracts will not be approved until all outstanding premium balances are paid. Unpaid balances can be settled at your local FSA office.